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FM AMEMBASSY RANGOON  
TO RUEHC/SECSTATE WASHDC IMMEDIATE 7339  
INFO RUCNASE/ASEAN MEMBER COLLECTIVE  
RUEHBY/AMEMBASSY CANBERRA 1022  
RUEHBJ/AMEMBASSY BEIJING 1797  
RUEHKA/AMEMBASSY DHAKA 4808  
RUEHNE/AMEMBASSY NEW DELHI 4573  
RUEHUL/AMEMBASSY SEOUL 8113  
RUEHKO/AMEMBASSY TOKYO 5674  
RUEHCN/AMCONSUL CHENGDU 1402  
RUEHCHI/AMCONSUL CHIANG MAI 1480  
RUEHCI/AMCONSUL KOLKATA 0260  
RUEAIIA/CIA WASHDC  
RUEATRS/DEPT OF TREASURY WASHDC  
RUEKJCS/DIA WASHDC  
RUEHGV/USMISSION GENEVA 3585  
RHEHNSC/NSC WASHDC  
RUEKJCS/SECDEF WASHDC  
RUEKJCS/Joint STAFF WASHDC  
RUCNDT/USMISSION USUN NEW YORK 1433  
RUEHBS/USEU BRUSSELS

C O N F I D E N T I A L SECTION 01 OF 03 RANGOON 000222

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STATE FOR EAP/MLS, INR/EAP, EEB/TFS  
PACOM FOR FPA  
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TAGS: ECON EFIN PREL PGOV BM

SUBJECT: TOP CRONIES FEELING THE PINCH OF U.S. SANCTIONS

REF: RANGOON 162 AND PREVIOUS

RANGOON 00000222 001.2 OF 003

Classified By: Economic Officer Samantha A. Carl-Yoder for Reasons 1.4  
(b and d)

¶1. (C) Summary. Despite public statements that U.S. sanctions have little effect on regime cronies' ability to do business, Embassy contacts tell us that the top cronies -- Tay Za, Steven Law, and Aung Thet Mann -- are running scared.

Tay Za's purchase of two bulk cargo ships from Korea recently fell through because the Singaporean banks refused to handle the financial transaction. Steven Law, owner of Asia World and several Singaporean-based businesses, is allegedly looking to change the name of his company to circumvent sanctions, although the Asia World sign continues to hang over the office doors. Aung Thet Mann, son of Number 3 General Thura Shwe Mann, has shifted some business to his other trading company, Shwe Yin Mon Ltd., and is exploring the option of opening new businesses in Singapore despite recent banking difficulties. Because of difficulties banking in Singapore, some cronies are looking for new places to conduct their financial transactions, like Dubai, Hong Kong, and Korea. End Summary.

Singapore Banks Tighten the Screws

¶2. (C) According to several business contacts, Singapore-based United Overseas Bank (UOB) and DBS, two Singapore banks that allow Burmese citizens to open accounts, have placed increased restrictions on the financial transactions of Burma's top cronies, including Tay Za, Steven Law, and Aung Thet Mann. These increased restrictions, which

include limiting the number of bank accounts one can open, a ban on check payments, and refusal to issue letters of credit, have affected the cronies' ability to do business, SGS Limited Managing Director U Kyaw Tin told us.

Singaporean banks are closely scrutinizing all financial transactions with Burma that total more than 30,000 Singapore dollars; companies or individuals that want to send money have to declare the source of their income, U Kyaw Tin explained.

¶3. (C) Embassy contact Anwar Hussain noted that the Singapore banking regulations disrupted Tay Za's plans to start his own shipping line. Tay Za, who recently signed a contract with a Korean company for the purchase of two cargo ships (Reftel), had to cancel his contract because UOB would not transfer the funds to Korea. Singaporean banks have a reputation to maintain, Hussain stated, noting that the banks are under increased criticism for acting as a safe haven for the regime's money. Captain Aung Khin Myint, Chairman of Global Multimodal Transport and Services Co., confirmed the story, stating that Tay Za, who remains committed to establishing his shipping line, met with several foreign shipping companies, looking for available ships. So far, no deal has been made.

¶4. (C) Aung Thet Mann, son of Number 3 Senior General Thura Shwe Mann and business partner of Tay Za, has also experienced difficulties with UOB and DBS. Aung Thet Mann, whose company Aye Ya Shwe Wa was recently included on the U.S. targeted sanctions list, has told several of our business contacts that he is only on the sanctions list because of his relationship with Tay Za. He mistakenly believes that if he severs ties with Tay Za, the U.S. will delist him and his company. U Kyaw Tin told us that Aung Thet Mann continues to explore options for opening new

RANGOON 00000222 002.2 OF 003

companies in Singapore. In the meantime, he has shifted some of his business to his Burma-based seafood export company, Shwe Yin Mon.

¶5. (C) Hussain told us that Aung Thet Mann allegedly opened three new trading companies in Singapore in the past month - Asia Might Company, Ayer Hinda Company, and Terrestrial Pte. Ltd. - but could not open bank accounts for the companies. While we cannot confirm the existence of the companies, U Soe Win, Managing Director of Myanmar Vigour Consulting confirmed that several of the listed cronies were having problems opening new bank accounts in Singapore. Many of the cronies are now looking for alternate financial centers, like Dubai, Korea, or Hong Kong, according to U Soe Win.

¶6. (C) While Steven Law's inclusion on the targeted sanctions list in late February did not get much coverage in the local papers, Steven Law is concerned about the effect on his business, Hussain told us. Two weeks ago, Law met with Aung Thet Mann and Tay Za to discuss ways to circumvent U.S. sanctions, Hussain revealed. According to U Kyaw Win and U Soe Win, since the February 26 OFAC designation, Law has had problems with Singapore banks, which only allow him to make cash withdrawals and refuse to issue him lines of credit. Our contacts report that Law is trying to change the name of his largest company, Burmese-registered Asia World, although we observed that the Asia World sign continues to hang over the door of the company. Hussain was unsure whether Law's Singaporean-based companies were affected by the sanctions designation, but explained that the Burma-based company has lost some international business since February.

Making Nice with the Regime

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¶7. (C) Although sanctions may have affected the cronies' ability to trade internationally, they continue to curry favor with the senior generals. According to Hussain, Steven Law's Asia World has ongoing construction projects in Nay Pyi

Taw, including several new shopping complexes, road construction, and the new national zoo, which will open on March 27. The GOB will not pay Law for Asia World's work, but will provide him with 20 car import licenses worth \$200,000 each and will help him secure contracts with the Chinese to construct the proposed natural gas pipeline from Kunming to the Bay of Bengal. U Kyaw Win, whose office is next door to Asia World, heard from the Chinese Commercial Counselor in Rangoon that Asia World will receive all construction deals for the Shwe Gas pipeline project.

¶8. (C) Several companies, including Zaw Zaw's Max Myanmar, Htoo Group of Companies, Asia World, and Eden Group, plan to open offices in Nay Pyi Taw in 2008. The offices will be relatively small, and staff will work in Nay Pyi Taw to help facilitate quick issuance of import and export licenses. The staff will also be there to cater to the senior generals' needs, Hussain informed us.

¶9. (C) Tay Za continues to do lucrative business with the regime. Several business contacts confirmed that Tay Za is slated to take over the now-defunct Myangone Myint Company's operations. Up until last week, Myangone Myint Company, run by the Central Executive Committee of the USDA, was one of two companies in Burma with the rights to import new and used cars (with profits allegedly used to support USDA activities). Although business contacts could not explain why the USDA suddenly stopped its car import operations, they agreed that when Tay Za takes over in the next month, he will earn substantial profit (between \$50,000-\$100,000) per car.

RANGOON 00000222 003.2 OF 003

Comment

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¶10. (C) While it is difficult to measure the full effect of U.S. sanctions, the fact that cronies are complaining to other businessmen about the increased difficulties they face shows that targeted sanctions have affected the regime's favorite businessmen. Within the business community, those who do business with the regime are scared that they too will be added to the U.S. targeted sanctions list. It comes as no surprise that the senior generals and their favorite cronies would look to other financial havens for banking services. We need to keep ahead of the cronies to warn other nations against taking their business.

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